

Executive Summary Report

Appraisal Date 1/1/04 - 2004 Assessment Roll

Specialty Name: High-Tech/Flex Properties

Sales – Improved Analysis Summary:

Number of Sales: 12

Range of Sales Dates: 1/01 - 12/03

Sales – Ratio Study Summary:

	Mean Assessed Value	Mean Sale Price	Ratio	COV*
2003 Value	\$11,132,200	\$11,851,700	93.9%	11.22%
2004 Value	\$11,180,400	\$11,851,700	94.3%	7.17%
Change	+\$ 48,200	-	+0.40%	-4.05%
% Change	+0.43%	-	+0.43%	-36.10%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -4.05% and -36.10% represent an improvement.

Sales used in Analysis: All sales verified as good were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2003 Value	\$ 578,481,700	\$ 1,504,136,600	\$ 2,082,618,300
2004 Value	\$ 580,902,600	\$ 1,481,395,300	\$ 2,062,297,900
Percent Change	+0.42%	- 1.51%	-0.98%

Number of Parcels in the Population: 176

Conclusion and Recommendation:

The total number of the sales sample is noted to be low for standard regression analysis, however since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2004 Assessment Roll.

Analysis Process

Specialty

Specialty Area – 510 - High-Tech/Flex Properties

Highest and Best Use Analysis




As if vacant: Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 1/2001 to 12/2003 (at minimum) were considered in the analyses.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of multiple years of market information without time adjustments averaged any changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: High-Tech/Flex Properties

Boundaries: The properties are located throughout King County but are predominantly situated between Redmond and Bothell/North Creek.

Maps:

A GIS map of the entire area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

The High-Tech/ Flex Specialty Properties are generally defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, medical instrumentations, and corporate offices. The corporate offices of Microsoft, Nintendo, Safeco, and Eddie Bauer are included. The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical Business Parks.

For this revalue period, the High-Tech/Flex industry continues to adjust to the overall turmoil in the technology and office market. Vacancy rates continue at historical high levels and lease rates are continuing to show decreases from previous years. Capitalization rates are noted to have remained low in part due to the historically low interest rates. Few new sales have occurred and indicate a mixed market. The result has been a relatively small change in the overall assessed values.

Physical Inspection Area:

30 properties were reviewed for the physical inspection of this revalue.

Preliminary Ratio Analysis

A Preliminary Ratio Study was done June 2004.

The study included sales of improved parcels and showed a COV of 11.22%.

A Ratio Study was completed after deriving the 2004 assessment year values. The results are included in the validation section of this report and show an improvement in the COV from the previous rate of 11.22% to a new rate of 7.17%.

Land Value

Land Sales, Analysis, Conclusion

The respective geographic appraisers valued all land.

A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on several data sources from the Assessor's records including LUC (land use code), net rentable area, effective year, condition, and sales price/rentable area. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified when possible by calling either the purchaser, seller or agent, inquiring in the field, or using the CoStar COMPS services. Characteristic data was verified for all sales if possible. A list of the sales are included within this report.

Sales comparison calibration

After an initial search for comparable sales within each geographic area, a search is made in neighboring areas and expanded to include all of King County if necessary.

Cost approach model description

A cost approach was available using the Marshall & Swift Commercial Estimator. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area.

Cost calibration

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift.

Income capitalization approach model description

The specialty properties are located throughout King County with the concentration falling between Redmond and Bothell, generally referred to as the Technology Corridor. A map showing the Specialty Property sites is included within this report.

Vacancy rates continue to be historically high with variances noted between different neighborhoods. Overall vacancy rates were typically set between 12% and 15%. Individual building rate adjustments were made to reflect unusual tenant conditions and changes.

Office rents were valued on a triple-net basis with a breakout of the office/warehouse components. Rents varied per neighborhood and were typically between \$12 to \$14.9 NRA for office space and \$6 and \$6.75 NRA (\$.50-\$.56 NRA per month) for warehouse space. Individual adjustments were made to reflect the buildings location, age, and condition.

Capitalization rates typically ranged from 8% to 9% and a uniform 10% was applied for expenses.

Income approach calibration

The models were calibrated after setting the base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records. Properties were valued based on the income tables included within this report. The individual property valuation information is available within Assessor records. Additional factors considered were excess land, economic units, or unique features with the property.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

The values for all parcels were individually reviewed by the speciality appraiser before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

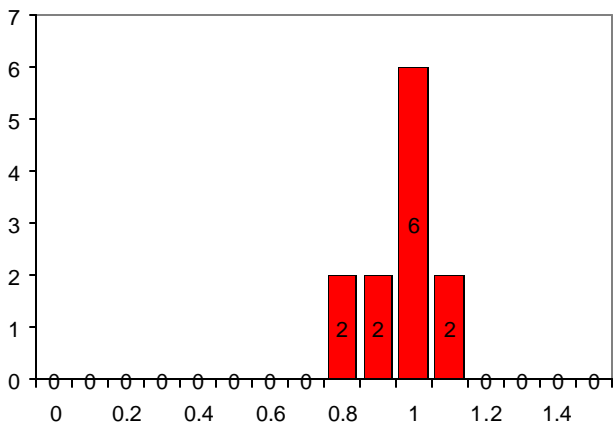
The Speciality Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

The total assessed value for the 2003 assessment year for High-Tech properties was \$2,082,618,300. The total assessed value for the new 2004 assessment year is \$2,062,297,900. The total decreased by \$20,320,400.

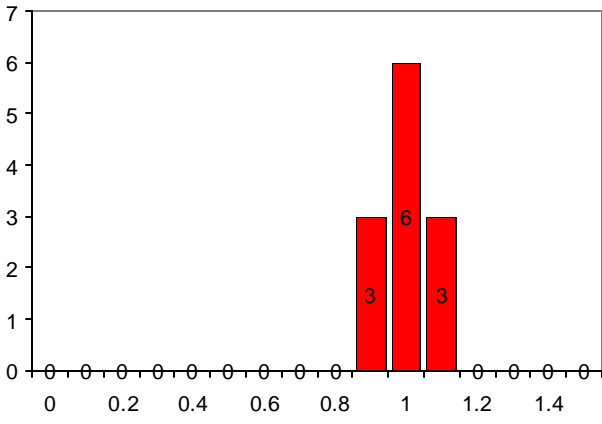
Application of the values for the 2004 assessment year (taxes payable in 2005) results in an average total decrease from the 2003 assessments of less than 1% (-0.98%).

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.

Area 510
2004 Assessment Year
Sales Used w/2003 AV

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:	
East Crew	1/1/2003	6/30/2004	1//01 - 12/03	
Area	Appr ID:	Prop Type:	Trend used?: Y / N	
510	EPRE	Improvement	N	
SAMPLE STATISTICS				
Sample size (n)	12	<div>Ratio Frequency</div> 		
Mean Assessed Value	11,132,200			
Mean Sales Price	11,851,700			
Standard Deviation AV	8,493,205			
Standard Deviation SP	9,216,397			
ASSESSMENT LEVEL				
Arithmetic mean ratio	0.914			
Median Ratio	0.917			
Weighted Mean Ratio	0.939			
UNIFORMITY				
Lowest ratio	0.7097			
Highest ratio:	1.0771			
Coefficient of Dispersion	7.60%			
Standard Deviation	0.1025			
Coefficient of Variation	11.22%			
Price-related Differential	0.97			
RELIABILITY				
95% Confidence: Median				
Lower limit	0.880			
Upper limit	0.981			
95% Confidence: Mean		These figures reflect current sales and their effect on the 2003 assessed values.		
Lower limit	0.856			
Upper limit	0.972			
SAMPLE SIZE EVALUATION				
N (population size)	176			
B (acceptable error - in decimal)	0.05			
S (estimated from this sample)	0.1025			
Recommended minimum:	15			
Actual sample size:	12			
Conclusion:	Low Sample			
NORMALITY				
Binomial Test				
# ratios below mean:	5			
# ratios above mean:	7			
z:	0.288675135			
Conclusion:	Normal*			
*i.e., no evidence of non-normality				

Area 510
2004 Assessment Year
Sales Used w/2004 AV

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
East Crew	1/1/2004	6/30/2004	1/01 - 12/03		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
510	EPRE	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	12	<div>Ratio Frequency</div> 			
Mean Assessed Value	11,180,400				
Mean Sales Price	11,851,700				
Standard Deviation AV	8,558,983				
Standard Deviation SP	9,216,397				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.947	<div>These figures reflect current sales and their effect on the 2004 assessment year values.</div>			
Median Ratio	0.941				
Weighted Mean Ratio	0.943				
UNIFORMITY					
Lowest ratio	0.8500				
Highest ratio:	1.0520				
Coefficient of Dispersion	5.68%				
Standard Deviation	0.0679				
Coefficient of Variation	7.17%				
Price-related Differential	1.00				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.879				
Upper limit	1.010				
95% Confidence: Mean					
Lower limit	0.909				
Upper limit	0.985				
SAMPLE SIZE EVALUATION					
N (population size)	176				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0679				
Recommended minimum:	7				
Actual sample size:	12				
Conclusion:	Low Sample				
NORMALITY					
Binomial Test					
# ratios below mean:	7				
# ratios above mean:	5				
z:	0.288675135				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Improvement Sales for Area 510

Sales Used												
Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par . Ct.	Ver. Code
510	020	142505	9020	143,837	1931077	\$13,350,000	12/30/02	\$92.81	IMPERIAL SQUARE	OV	1	2
510	030	212406	9003	93,036	1806614	\$18,518,851	03/21/01	\$199.05	SAMMAMISH PARK PLACE - BLDG A	PO	1	2
510	030	212406	9131	102,585	1806615	\$20,933,979	03/21/01	\$204.06	SAMMAMISH PARK PLACE - BLDG B	PO	1	2
510	020	232505	9038	29,649	1914709	\$2,440,000	10/09/02	\$82.30	H & N INTERNATIONAL	OV	1	2
510	010	342605	9002	184,334	1913845	\$17,200,000	10/02/02	\$93.31	AEROJET GENERAL CORP	BP	4	2
510	020	644830	0100	40,340	2027259	\$6,073,336	03/29/04	\$150.55	AGA FRIGOSCANDIA	OV	1	2
510	010	697920	0230	59,475	1796842	\$8,600,000	01/17/01	\$144.60	WRIGHT BLDG	MU	1	2
510	010	697930	0010	205,392	1927252	\$31,240,000	12/05/02	\$152.10	NORTH CREEK PKWY CTR	MU	6	2
510	010	720100	0010	126,169	1927256	\$15,292,000	12/05/02	\$121.20	REDMOND HEIGHTS TECH CENTER	BP	2	2
510	010	720170	0070	62,500	1821242	\$5,850,000	05/31/01	\$93.60	WILLOW THREE	MP	3	2
510	010	720170	0070	16,578	1981557	\$1,657,800	08/20/03	\$100.00	WILLOWS THREE BLDG A	MP	1	2
510	010	720170	0071	12,242	2008278	\$1,065,000	12/08/03	\$87.00	WILLOWS THREE BLDG B	MP	1	2
Sales Not Used												
Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par . Ct.	Ver. Code
510	020	142505	9054	381,270	1841032	\$74,000,000	09/11/01	\$194.09	MICROSOFT - (SPACE LABS MEDICAL)	OV	4	26
510	020	249990	0010	428,399	1916530	\$99,742,100	10/21/02	\$232.83	CEDAR COURT - MICROSOFT	OV	1	44
510	010	392700	0050	82,800	1898265	\$673,411	07/01/02	\$8.13	PRECOR, U.S.A.	MU	1	22
510	020	644830	0100	40,340	1801579	\$7,355,220	02/15/01	\$182.33	AGA FRIGOSCANDIA	OV	1	44
510	020	644830	0111	609,912	1858084	\$142,270,000	12/19/01	\$233.26	LAKERIDGE - MICROSOFT	OV	2	44
510	010	697950	0020	65,080	1995001	\$6,100,000	09/26/03	\$93.73	QUADRANT WILLOWS CTR BLDG B	BP	1	46
510	010	697950	0040	53,000	1855770	\$14,750,000	12/05/01	\$278.30	QUADRANT WILLOWS CTR BLDG D	BP	1	46
510	010	928690	0010	144,910	1810472	\$18,737,555	04/04/01	\$129.30	WEST WILLOWS TECH CENTER	MP	5	45

USPAP Compliance

Client and Intended Use of the Appraisal:

This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a summary mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-12-330 **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly

located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Special assumptions and limiting conditions:

That no opinion as to title is rendered. Data on ownership and the legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions unless shown on the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That no engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

That no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.

That the appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

That no opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

That maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

Exterior inspections were made of all properties however, due to lack of access few received interior inspections.

The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.

We have attempted to segregate personal property from the real estate in our appraisals.

We have not appraised movable equipment or fixtures as part of the real estate. We have appraised identifiable permanently fixed equipment with the real estate in accordance with RCW 84.04.090 and WAC 458-12-010.

We have considered the effect of value of those anticipated public and private improvements of which we have common knowledge. We can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.

The appraisers have no personal interest or bias toward any properties that they appraise.

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

SR 6-2 (g)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.